

**SABINE PARISH WATERWORKS DISTRICT NO. 1
MANY, LOUISIANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/11/07

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
BOARD OF COMMISSIONERS
SEPTEMBER 30, 2006

<u>Commissioners</u>	<u>Office</u>	<u>Year Elected</u>	<u>Term</u>
Keith Broussard	Sec./Treasurer	2006	5 yrs.
Benny Funderburk	Vice-President	2005	5 yrs.
Walter L. Mains	President	2003	5 yrs.
Ray McComic		2004	5 yrs.
Stanley Neal		2003	5 yrs.
John Sandel		2003	5 yrs.
Reo Wright		2002	5 yrs.

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MANY, LOUISIANA
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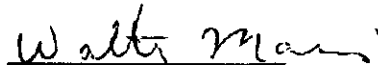
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SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, Walter L. Mains, President of the Sabine Parish Waterworks District No. 1, who duly sworn, deposes and says, that the financial statements herewith given presents fairly the financial position of Sabine Parish Waterworks District No. 1 at September 30, 2006 and the results of its operations for the year then ended in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.


President

Sworn to and subscribed before me, this 30th day of January, 2007.


NOTARY PUBLIC

HINES, JACKSON & HINES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 2188 - 133 EAST FIFTH STREET
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Sabine Parish Waterworks District No. 1
Many, Louisiana 71449

We have audited the accompanying basic financial statements of the Sabine Parish Waterworks District No. 1, Many, Louisiana, a component unit of the Sabine Parish Police Jury, as of and for the year ended September 30, 2006, as listed in the table of contents. These financial statements are the responsibility of management of the Sabine Parish Waterworks District No. 1. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sabine Parish Waterworks District No. 1 as of September 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated January 30, 2007, on our consideration of the Sabine Parish Waterworks District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis information on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Sabine Parish Waterworks District No. 1 taken as a whole. The accompanying supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The financial information for the year ended September 30, 2005, which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion dated January 23, 2006, on the basic financial statements of the Sabine Parish Waterworks District No. 1.

Hines, Jackson & Hines
Natchitoches, Louisiana
January 30, 2007

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2006

The Management's Discussion and Analysis of Sabine Parish Waterworks District No. 1's financial performance presents a narrative overview and analysis of Sabine Parish Waterworks District No. 1's financial activities for the year ended September 30, 2006. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the Sabine Parish Waterworks District No. 1's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- 1) The Sabine Parish Waterworks District No. 1 had cash and cash equivalents and investments of \$187,352 at September 30, 2006 which represents an increase of \$40,112 from prior year end.
- 2) The Sabine Parish Waterworks District No. 1 had accounts receivable of \$78,846 at September 30, 2006 which represents a decrease of \$10,251 from prior year end.
- 3) The Sabine Parish Waterworks District No. 1 had accounts payable and accruals of \$58,925 at September 30, 2006 which represents a decrease of \$32,617 from prior year end.
- 4) The Sabine Parish Waterworks District No. 1 had total operating revenues of \$593,395 for the year ended September 30, 2006 which represents an increase of \$60,710 from prior year.
- 5) The Sabine Parish Waterworks District No. 1 had charges for services revenues of \$542,441 for the year ended September 30, 2006 which represents an increase of \$53,057 from prior year.
- 6) The Sabine Parish Waterworks District No. 1 had total operating expenses of \$471,037 for the year ended September 30, 2006 which represents an increase of \$31,258 from prior year.
- 7) The Sabine Parish Waterworks District No. 1 had interest expense of \$61,309 for the year ended September 30, 2006 which represents an increase of \$9,610 from prior year.
- 8) The Sabine Parish Waterworks District No. 1 had a net change in net assets of \$63,555 for the year ended September 30, 2006 which represents a decrease of \$40,556 from prior year.
- 9) The Sabine Parish Waterworks District No. 1 had capital asset purchases of \$69,930 for the year ended September 30, 2006 which represents a decrease of \$652,001 from prior year.
- 10) The Sabine Parish Waterworks District No. 1 had long-term debt principal payments of \$83,388 for the year ended September 30, 2006 which represents an increase of \$8,388 from prior year.
- 11) The Sabine Parish Waterworks District No. 1 had long-term debt of \$1,493,744 for the year ended September 30, 2006 which represents a decrease of \$52,667 from prior year.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2006

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Sabine Parish Waterworks District No. 1 as established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments.

Management Discussion and Analysis

Basic Financial Statements

Required Supplementary Information
(Other than MD&A)

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

Basic Financial Statements

This annual report consist of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets and Cash Flows (on pages 8, 9 and 10) provide information about the activities of Sabine Parish Waterworks District No. 1 as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets report the District's net assets and changes in them. You can think of the District's net assets, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2006

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
As of Year End

	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 292,174	\$ 261,787
Capital assets, net	<u>2,398,653</u>	<u>2,450,769</u>
Total Assets	<u>\$ 2,690,827</u>	<u>\$ 2,712,556</u>
Accounts payable, accruals and other liabilities	\$ 58,925	\$ 91,542
Long-term debt	<u>1,493,744</u>	<u>1,546,411</u>
Total Liabilities	<u>1,552,669</u>	<u>1,637,953</u>
Net Assets		
Investments in capital assets, net of related debt	904,909	904,358
Restricted	95,597	95,768
Unrestricted	<u>137,652</u>	<u>74,477</u>
Total Net Assets	<u>1,138,158</u>	<u>1,074,603</u>
Total Liabilities and Net Assets	<u>\$ 2,690,827</u>	<u>\$ 2,712,556</u>

Net assets of the Sabine Parish Waterworks District No. 1's increased by \$63,555 or 5.91% from the previous fiscal year. The increase is the result of operating and other revenues exceeding operating and other expenses during the fiscal year ended 2006 (See table below).

Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended

	<u>2006</u>	<u>2005</u>
Operating Revenues	\$ 593,395	\$ 532,685
Operating Expenses	<u>471,037</u>	<u>439,779</u>
Operating Income	122,358	92,906
Nonoperating Revenues/(Expenses)	<u>(58,803)</u>	<u>11,205</u>
Change in net assets	<u>\$ 63,555</u>	<u>\$ 104,111</u>

The Sabine Parish Waterworks District No. 1's total operating revenues increased by \$60,710 or 11.40% from the previous year. The total operating expenses increased by \$31,258 or 7.11% from the previous year.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2006

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006, Sabine Parish Waterworks District No. 1 had \$2,398,653, net of depreciation, invested in a broad range of capital assets (See table below). This amount represents a net decrease (including additions and deductions) of \$52,116 or 2.13% from the previous year.

**Capital Assets at Year End
(Net of Depreciation)**

	<u>2006</u>	<u>2005</u>
Land	\$ 15,473	\$ 15,473
Construction in progress	272,937	272,937
Land improvements	1,775	1,914
Distribution system	2,057,263	2,139,798
Building and improvements	6,555	7,540
Furniture, machinery and equipment	44,650	13,107
Total	<u>\$ 2,398,653</u>	<u>\$ 2,450,769</u>

This year's major additions included:

Distribution system	\$ 29,530
Furniture, machinery and equipment	\$ 40,400

This years's major retirements included:

Distribution system	\$ 1,545
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Debt

Sabine Parish Waterworks District No. 1 had \$1,493,744 in long-term debt outstanding at year end compared to \$1,546,411 at the previous year end, a decrease of \$52,667 or 3.41% as shown in the table below.

Outstanding Debt at Year End

	<u>2006</u>	<u>2005</u>
Capital lease	\$ 25,333	\$ 0
Revenue bonds	1,330,000	1,408,000
Relocation loan	138,411	138,411
Totals	<u>\$ 1,493,744</u>	<u>\$ 1,546,411</u>

New debt during the year included:

Capital lease	\$ 30,721
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SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2006

ECONOMIC FACTORS AND NEXT YEAR'S RATES AND FEES

Management of Sabine Parish Waterworks District No. 1 consider the following factors and indicators when setting next year's rates and fees. These factors and indicators include:

- 1) Long-term debt
- 2) Cost of operations
- 3) Number of customers
- 4) State and federal grants

The Sabine Parish Waterworks District's management does not expect any significant changes in next year's results as compared to the current year.

CONTACTING SABINE PARISH WATERWORKS DISTRICT NO.1'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Sabine Parish Waterworks District No. 1's finances and to show Sabine Parish Waterworks District No. 1's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Walter L. Mains, President, P.O. Box 1011, Many, Louisiana 71449.

EXHIBIT A**SABINE PARISH WATERWORKS DISTRICT NO.1****MANY, LOUISIANA****STATEMENT OF NET ASSETS****SEPTEMBER 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 91,755	\$ 51,472
Accounts receivable, net	78,846	89,097
Prepaid expenses	4,128	2,418
Inventory	<u>7,037</u>	<u>7,038</u>
Total Current Assets	181,766	150,025
Noncurrent Assets		
Restricted assets	95,597	95,768
Capital assets, net	2,398,653	2,450,769
Unamortized bond costs, net	13,336	14,519
Deposits	<u>1,475</u>	<u>1,475</u>
Total Assets	<u>\$ 2,690,827</u>	<u>\$ 2,712,556</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Current portion of capital lease	\$ 7,300	\$ 0
Current portion of long-term debt	83,000	78,000
Accounts payable and accruals	<u>58,925</u>	<u>91,542</u>
Total Current Liabilities	149,225	169,542
Noncurrent Liabilities		
Capital lease, net of current portion	18,033	0
Long-term debt, net of current portion	1,247,000	1,330,000
Relocation loan - State of Louisiana	<u>138,411</u>	<u>138,411</u>
Total Liabilities	1,552,669	1,637,953
NET ASSETS		
Investments in capital assets, net of related debt	904,909	904,358
Restricted		
Retirement of long-term debt	95,597	95,768
Unrestricted	<u>137,652</u>	<u>74,477</u>
Total Net Assets	<u>1,138,158</u>	<u>1,074,603</u>
Total Liabilities and Net Assets	<u>\$ 2,690,827</u>	<u>\$ 2,712,556</u>

The accompanying notes are an integral part of this statement.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Charges for services	\$ 542,441	\$ 489,384
Connection fees	27,245	21,781
Late fees	18,144	16,616
Miscellaneous	<u>5,565</u>	<u>4,904</u>
Total Operating Revenues	593,395	532,685
OPERATING EXPENSES		
Advertising	309	451
Amortization	1,183	1,183
Administrative services	16,117	17,212
Bad debt expense	6,292	3,475
Collection services	7,790	7,476
Computer services	10,390	10,028
Depreciation	120,501	94,459
Equipment rental	485	1,305
Insurance and bonds	12,538	9,492
Legal and accounting	13,404	15,611
Materials and supplies	37,560	26,459
Meter installation costs	0	4,685
Miscellaneous	146	1,142
Office and other expenses	9,815	9,647
Professional services	4,403	4,194
Rent	7,703	5,343
Repairs and maintenance	64,002	41,089
Supervisory maintenance	10,056	18,726
Telephone	2,543	2,294
Utilities	18,164	8,831
Water purchases	<u>127,636</u>	<u>156,677</u>
Total Operating Expenses	<u>471,037</u>	<u>439,779</u>
Operating Income	122,358	92,906
Nonoperating Revenues/(Expenses)		
Grants	0	60,000
Interest income	2,506	2,904
Interest expense	<u>(61,309)</u>	<u>(51,699)</u>
Total Nonoperating Revenues/(Expenses)	<u>(58,803)</u>	<u>11,205</u>
Change in Net Assets	63,555	104,111
Net Assets, Beginning of year	<u>1,074,603</u>	<u>970,492</u>
Net Assets, End of year	<u>\$ 1,138,158</u>	<u>\$ 1,074,603</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 599,181	\$ 509,190
Cash payments to suppliers for goods and services	(377,387)	(308,141)
Cash payments to employees and board members for services	0	0
Other operating revenues/(expenses)	<u>0</u>	<u>0</u>
Net Cash From Operating Activities	221,794	201,049
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital grants	0	60,000
Proceeds from capital lease	30,721	0
Proceeds from relocation loans	0	119,935
Principal payments on capital lease	(5,388)	0
Principal payments on revenue bonds	(78,000)	(75,000)
Acquisition/construction of capital assets	(69,930)	(721,931)
Interest paid	<u>(61,591)</u>	<u>(51,970)</u>
Net Cash From Capital and Related Financing Activities	(184,188)	(668,966)
Cash Flows From Investing Activities		
Interest income	<u>2,506</u>	<u>2,975</u>
Cash Flows From Investing Activities	<u>2,506</u>	<u>2,975</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	40,112	(464,942)
Cash and Cash Equivalents, Beginning of year	<u>147,240</u>	<u>612,182</u>
Cash and Cash Equivalents, End of year	<u>\$ 187,352</u>	<u>\$ 147,240</u>
	<u>2006</u>	<u>2005</u>
Reconciliation of Operating Income to Net Cash From Operating Activities		
Operating income	\$ 122,358	\$ 92,906
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation expense	120,501	94,459
Amortization	1,183	1,183
Bad debt expense	6,292	3,475
(Increase)/decrease in operating assets		
Accounts receivable	5,786	(26,970)
Prepaid expenses	(1,710)	(92)
Inventory	1	(7,038)
Increase/(decrease) in operating liabilities		
Accounts payable and accruals	<u>(32,617)</u>	<u>43,126</u>
Net Cash Flows From Operating Activities	<u>\$ 221,794</u>	<u>\$ 201,049</u>

The accompanying notes are an integral part of this statement.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

The Sabine Parish Waterworks District No. 1, a political subdivision of the Sabine Parish Police Jury, was formed July 17, 1978, to provide water to the rural areas surrounding Many and Florien. It is operated by a board which consists of nine commissioners appointed by the Police Jury to serve five year terms. The commissioners receive no compensation for their services.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This Codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles. The accompanying financial statements of Sabine Parish Waterworks District No. 1 present information only as to the transactions of the programs of Sabine Parish Waterworks District No. 1 as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of Sabine Parish Waterworks District No. 1 are maintained in accordance with applicable statutory provisions:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows and consistent with GASB Statement 9, Sabine Parish Waterworks District No. 1 defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

D. Bad Debts

Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At September 30, 2006, \$29,339 were considered to be uncollectible.

E. Capital Assets

Capital assets are carried at historical costs. Depreciation of all exhaustible capital assets used by Sabine Parish Waterworks District No. 1 are charged as an expense against operations in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. Capital assets net of accumulated depreciation are reported on the Statement of Net Assets. Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and building improvements, 10 to 40 years for the distribution system, 5 years for automobiles and 5 to 10 years for machinery and equipment. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and betterments are capitalized.

F. Compensated Absences

The Sabine Parish Waterworks District No. 1 has no full-time employees and therefore has no liability for accumulated unpaid vacation at September 30, 2006.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Unamortized Bond Costs

Bond issue costs and bond discounts are capitalized and amortized over the terms of the respective bonds using a method which approximates the effective interest method. Total bond issue costs and bond discounts (deferred debt expense) paid by Sabine Parish Waterworks District No. 1, was \$17,744. The amortization expense related to deferred debt expense was \$1,183 for the year ended September 30, 2006.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

A. Deposits with Financial Institutions

For reporting purposes, deposits with financial institutions including savings, demand deposits, time deposits, and certificates of deposit. Under state law Sabine Parish Waterworks District No. 1 may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further the Fund may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The deposits at September 30, 2006 were secured as follows:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Deposits in bank accounts per balance sheet	\$ 187,352	\$ 0	\$ 187,352
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Bank Balances (Category 3 Only, If Any)			
a. Uninsured and uncollateralized	\$ 0	\$ 0	\$ 0
b. Uninsured and uncollateralized with securities held by the pledging institution	0	0	0
c. Uninsured and uncollateralized with securities held by the pledging institution's trust department or agent but not in the entity's name	0	0	0
Total Category 3 Bank Balances	\$ 0	\$ 0	\$ 0
Total Bank Balances (All Categories Including Category 3 Reported Above)	\$ 179,598	\$ 0	\$ 179,598

The following is a breakdown by banking institution and amount of the balances shown above:

<u>Banking Institution</u>	<u>Amount</u>
People's State Bank	\$ 179,598
Total	\$ 179,598

B. Investments

At September 30, 2006, Sabine Parish Waterworks District No. 1 had investments of \$0.

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

NOTE 3 RESTRICTED ASSETS

At September 30, 2006, Sabine Parish Waterworks District No. 1 had the following restricted assets:

Cash and cash equivalents	\$ 95,597
Total	<u>\$ 95,597</u>

NOTE 4 ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at September 30, 2006:

<u>Class of Receivable</u>	
Charges for services	\$ 71,277
Other	<u>7,569</u>
Total	<u>\$ 78,846</u>

NOTE 5 CAPITAL ASSETS

A summary of Sabine Parish Waterworks District No. 1's capital assets at September 30, 2006 follows:

	Balance September 30, 2005	Additions	Retirements	Balance September 30, 2006
Capital Assets, not being depreciated				
Land	\$ 15,473	\$ 0	\$ 0	\$ 15,473
Construction in progress	<u>272,937</u>	<u>0</u>	<u>0</u>	<u>272,937</u>
Total Capital Assets, not being depreciated	288,410	0	0	288,410
Capital Assets, being depreciated				
Land improvements	2,784	0	0	2,784
Less accumulated depreciation	<u>(870)</u>	<u>(139)</u>	<u>0</u>	<u>(1,009)</u>
Total Land Improvements	1,914	(139)	0	1,775
Distribution system	2,983,601	29,530	(1,545)	3,011,586
Less accumulated depreciation	<u>(843,803)</u>	<u>(110,520)</u>	<u>0</u>	<u>(954,323)</u>
Total Distribution System	2,139,798	(80,990)	(1,545)	2,057,263
Building and improvements	13,075	0	0	13,075
Less accumulated depreciation	<u>(5,535)</u>	<u>(985)</u>	<u>0</u>	<u>(6,520)</u>
Total Machinery and equipment	7,540	(985)	0	6,555
Furniture, machinery and equipment	30,596	40,400	0	70,996
Less accumulated depreciation	<u>(17,489)</u>	<u>(8,857)</u>	<u>0</u>	<u>(26,346)</u>
Total Furniture, machinery & equipment	<u>13,107</u>	<u>31,543</u>	<u>0</u>	<u>44,650</u>
Total Capital Assets, being depreciated	<u>2,162,359</u>	<u>(50,571)</u>	<u>(1,545)</u>	<u>2,110,243</u>
Total Capital Assets, net	<u>\$ 2,450,769</u>	<u>\$ (50,571)</u>	<u>\$ (1,545)</u>	<u>\$ 2,398,653</u>

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

NOTE 6 ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable at September 30, 2006:

<u>Class of Payable</u>	
Vendor	\$ 49,404
Interest	4,821
Other	4,700
Total	<u>\$ 58,925</u>

NOTE 7 LONG TERM-DEBT

The following is a summary of the long-debt obligations of the Sabine Parish Waterworks District No. 1 for the year ended September 30, 2006:

	<u>Balance</u> <u>Sept. 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Sept. 30, 2006</u>	<u>Current</u> <u>Amounts</u>
Revenue bonds series 2002	\$ 833,000	\$ 0	\$ 52,000	\$ 781,000	\$ 55,000
Revenue bonds series 2004	575,000	0	26,000	549,000	28,000
Total	<u>\$ 1,408,000</u>	<u>\$ 0</u>	<u>\$ 78,000</u>	<u>\$ 1,330,000</u>	<u>\$ 83,000</u>

The terms of the individual revenue bonds at September 30, 2006 are as follows:

	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
Revenue bonds series 2002	4.3125%	2017	\$ 975,000	\$ 781,000
Revenue bonds series 2004	4.5500%	2019	600,000	549,000
Total			<u>\$ 1,575,000</u>	<u>\$ 1,330,000</u>

The annual requirements to amortize all debt outstanding as of September 30, 2006 are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Revenue bonds</u> <u>Principal</u>	<u>Revenue bonds</u> <u>Interest</u>	<u>Total</u>
2007	\$ 83,000	\$ 56,837	\$ 139,837
2008	87,000	53,104	140,104
2009	92,000	49,173	141,173
2010	96,000	45,044	141,044
2011	101,000	40,718	141,718
2012-2016	582,000	131,101	713,101
2017-2019	289,000	17,162	306,162
Total	<u>\$ 1,330,000</u>	<u>\$ 393,139</u>	<u>\$ 1,723,139</u>

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

NOTE 8 LEASES

On February 1, 2006, the Sabine Parish Waterworks District No. 1, entered into a lease agreement with an original recorded amount of \$30,721 for the purchase of a compact excavator. The agreement provides for forty-eight (48) monthly payments. At the maturity of the lease term, the District may purchase the excavator for one (1) dollar. The original recorded amount of the excavator is included in capital assets.

The following is a schedule of future minimum lease payments and the present value of the net future minimum lease payments as of September 30, 2006:

Year Ending <u>June 30</u>	
2007	\$ 8,504
2008	8,504
2009	8,504
2010	<u>2,126</u>
Total minimum lease payments	27,638
Less amount representing interest	<u>(2,305)</u>
Present value of minimum lease payments	<u>\$ 25,333</u>

The Sabine Parish Waterworks District No. 1 was not obligated under any noncancellable operating leases at September 30, 2006.

NOTE 9 LITIGATION

There was no outstanding litigation against Sabine Parish Waterworks District No. 1 at September 30, 2006.

NOTE 10 RELOCATION LOAN - STATE OF LOUISIANA

The Sabine Parish Waterworks District No. 1 was authorized to receive an estimated amount of \$19,000, \$56,139 and \$104,642 from the Department of Transportation and Development for the relocation of utility lines on State Project Number 25-03-22, 25-03-24 and 25-02-32, respectively. Act 319 of 1981 contains the following sentence: "If the Office of Highways provides for the removal or relocation, the municipality, parish or special district shall henceforth be prohibited from locating a utility installation in any state owned right of way until the municipality, parish or special district reimburses the state for the cost of the removal or relocation." The acceptance of the above dollars may create a contingency should the public unit accepting the reimbursement ever decide to locate a utility installation on any state owned right of way. Since the District plans to expand in the future, a liability at December 31, 2006 in the amount of \$138,411 has been recorded.

OTHER SUPPLEMENTARY INFORMATION

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
SEPTEMBER 30, 2006

SCHEDULE 1

<u>Members</u>	<u>Meetings</u>	<u>Amount</u>
Keith Broussard	5	\$ 0
Benny Funderburk	7	0
Walter Mains	8	0
Ray McComic	7	0
Stanley Neal	6	0
John Sandel	7	0
Reo Wright	4	0
		<hr/>
Total		\$ 0

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

SECTION #1

SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

- | | | |
|----|---|-------------|
| 1. | Type of auditors' report issued. | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a) Material weaknesses identified? | None |
| | b) Reportable conditions identified not considered to be material weaknesses? | None |
| | c) Noncompliance material to the financial statements noted? | None |

SECTION #2

FINANCIAL STATEMENT FINDINGS

None reported.

HINES, JACKSON & HINES, L.L.C.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Sabine Parish Waterworks District No. 1
Many, Louisiana 71449

We have audited the basic financial statements of the Sabine Parish Waterworks District No. 1, Many, Louisiana, a component unit of Sabine Parish Police Jury, as of and for the year ended September 30, 2006, and have issued our report thereon dated January 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Sabine Parish Waterworks District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sabine Parish Waterworks District No. 1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the Sabine Parish Waterworks District No. 1 and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hines, Jackson & Hines

Natchitoches, Louisiana
January 30, 2007

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
Ref. No.				

Nothing came to our attention that would require disclosure under Government Auditing Standards.

SCHEDULE 4

SABINE PARISH WATERWORKS DISTRICT NO.1
MANY, LOUISIANA
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
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Nothing came to our attention that would require disclosure under Government Auditing Standards.